



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Harpersfield Township
Ashtabula County
4858 Cork-Cold Springs Road
Geneva, Ohio 44041

To the Board of Trustees:

We have audited the accompanying financial statements of Harpersfield Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 6, 2002

HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Funds		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency	
Cash Receipts:							
Local Taxes	\$102,906	\$220,270	\$32,759	\$0	\$0	\$0	\$355,935
Intergovernmental	23,189	97,828	3,680	65,977			190,674
Special Assessments		8,545					8,545
Licenses, Permits, and Fees	4,975	7,028					12,003
Earnings on Investments	15,787	1,500		37	1		17,325
Other Revenue	18,675	28,480					47,155
Total Cash Receipts	165,532	363,651	36,439	66,014	1	0	631,637
Cash Disbursements:							
Current:							
General Government	125,551	73,899					199,450
Public Safety	1,003						1,003
Public Works	5,786	310,769					316,555
Health	38,518	3,163			98		41,779
Debt Service:							
Redemption of Principal			20,817				20,817
Interest and Fiscal Charges			10,222				10,222
Capital Outlay		28,425		75,615			104,040
Total Cash Disbursements	170,858	416,256	31,039	75,615	98	0	693,866
Total Receipts Over/(Under) Disbursements	(5,326)	(52,605)	5,400	(9,601)	(97)	0	(62,229)
Other Financing Receipts and (Disbursements):							
Transfers-In	1,160						1,160
Transfers-Out						(1,160)	(1,160)
Total Other Financing Receipts/(Disbursements)	1,160					(1,160)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,166)	(52,605)	5,400	(9,601)	(97)	(1,160)	(62,229)
Fund Cash Balances, January 1	291,152	252,105	14,132	9,601	161	1,220	568,371
Fund Cash Balances, December 31	\$286,986	\$199,500	\$19,532	\$0	\$64	\$60	\$506,142
Reserve for Encumbrances, December 31	\$1,206	\$2,164	\$0	\$0	\$0	\$0	\$3,370

The notes to the financial statements are an integral part of this statement.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Funds		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency	
Cash Receipts:							
Local Taxes	\$104,832	\$217,482	\$32,370	\$0	\$0	\$0	\$354,684
Intergovernmental	116,988	97,000	3,587				217,575
Special Assessments		8,135					8,135
Licenses, Permits, and Fees	5,297	6,933					12,230
Earnings on Investments	21,087	1,572		6,172	3		28,834
Other Revenue	16,406	8,914					25,320
Total Cash Receipts	264,610	340,036	35,957	6,172	3	0	646,778
Cash Disbursements:							
Current:							
General Government	146,904	40,746					187,650
Public Safety	105						105
Public Works	6,147	267,942					274,089
Health	37,809	3,916			64		41,789
Debt Service:							
Redemption of Principal			19,850				19,850
Interest and Fiscal Charges			11,199				11,199
Capital Outlay	49,958	4,483		232,689			287,130
Total Cash Disbursements	240,923	317,087	31,049	232,689	64	0	821,812
Total Receipts Over/(Under) Disbursements	23,687	22,949	4,908	(226,517)	(61)	0	(175,034)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,687	22,949	4,908	(226,517)	(61)	0	(175,034)
Fund Cash Balances, January 1	267,465	229,155	9,224	236,118	222	1,220	743,404
Fund Cash Balances, December 31	\$291,152	\$252,104	\$14,132	\$9,601	\$161	\$1,220	\$568,370
Reserve for Encumbrances, December 31	\$1,037	\$2,344	\$0	\$5,000	\$0	\$0	\$8,381

The notes to the financial statements are an integral part of this statement.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harpersfield Township, Ashtabula County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Harpersfield Volunteer Fire Department to provide fire services and Northwest Ambulance District to provide ambulance services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The Township maintained a general operating (NOW) account and invested in STAR Ohio during the audit period. STAR Ohio is recorded at the share values reported by the mutual fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire Levy Fund – This fund receives property tax money for maintaining/purchasing equipment and covering costs for providing emergency fire services.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond Retirement – This fund received property tax money for the repayment of bonds issued to purchase a fire pumper and equipment/appertenances for same.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Fire Pumper Bonds – This fund received proceeds used for to purchase a new fire truck and equipment/appurtenances for same.

Issue II Fund - The Township received a grant from the State of Ohio for the State Road resurfacing and guardrail project.

5. Fiduciary Funds (Trust and Agency Funds)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Unclaimed Moneys Fund – An Agency Fund to account for stale-dated warrants that were removed from the reconciliation by the clerk.

Cemetery Bequest – Expendable Trust Funds of the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$234,955	\$257,382
Investments:		
STAR Ohio	271,034	310,739
Cemetery Bequest	153	249
Total investments	271,187	310,988
Total deposits and investments	\$506,142	\$568,370

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Bequest funds are maintained in a passbook savings account in the name of the Township on behalf of the payee.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,700	\$166,692	\$11,992
Special Revenue	345,496	363,651	18,155
Debt Service	34,400	36,439	2,039
Capital Projects	66,377	66,014	(363)
Fiduciary	2	1	(1)
Total	\$600,975	\$632,797	\$31,822

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$446,890	\$172,064	\$274,826
Special Revenue	599,944	418,420	181,524
Debt Service	48,532	31,039	17,493
Capital Projects	75,978	75,615	363
Fiduciary	1,383	1,258	125
Total	\$1,172,727	\$698,396	\$474,331

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,255	\$264,610	\$39,355
Special Revenue	313,795	340,036	26,241
Debt Service	30,200	35,957	5,757
Capital Projects	5,000	6,172	1,172
Fiduciary	4	3	(1)
Total	\$574,254	\$646,778	\$72,524

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$492,662	\$241,960	\$250,702
Special Revenue	542,950	319,431	223,519
Debt Service	39,424	31,049	8,375
Capital Projects	241,118	237,689	3,429
Fiduciary	1,535	64	1,471
Total	\$1,317,689	\$830,193	\$487,496

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$177,084	5%

The general obligation bonds were issued to finance the purchase of a new fire truck and equipment to be used for providing emergency medical services by the Township Volunteer Fire Department. The bonds are collateralized solely by the Township's taxing authority.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	
2002	30,465
2003	30,465
2004	30,465
2005	30,465
2006	30,465
2007 – 2010	60,931
Total	<u><u>\$213,256</u></u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per -claim limit of \$2,000,000.

**HARPERSFIELD TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding up \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>		
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Harpersfield Township
Ashtabula County
4858 Cork-Cold Springs Road
Geneva, Ohio 44041

To the Board of Trustees:

We have audited the accompanying financial statements of Harpersfield Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 6, 2002.

Harpersfield Township
Ashtabula County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 6, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HARPERSFIELD TOWNSHIP

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**